

## AUDIT COMMITTEE

25 September 2023

Present:-

Councillors R Scott (Chair), F Biederman and C Whitton

Apologies:-

Councillors M Hartnell, R Chesterton and I Roome

\* 78

**Minutes**

**RESOLVED** that the Minutes of the meeting held on 20 June 2023 be signed as a correct record

\* 79

**Items Requiring Urgent Attention**

There was no item received as a matter of urgency.

\* 80

**Statement of Accounts & Annual Governance Statement 2021/22**

The Committee received the Report of the Director of Finance and Public Value (DF/23/89), which asked Members to review and approve the amendments to the Authority's Statement of Accounts for 2021/22 and to review and approve the changes to the Pension Fund Statement of Accounts for 2021/22. The amended pages were attached to the Report.

Members were informed at the last Committee meeting in June of a national issue regarding the lateness of audit opinions and the impact of the triennial valuation of the Pension Fund at 31 March 2022.

It was **MOVED** by Councillor Biederman, **SECONDED** by Councillor Whitton and

**RESOLVED** that:

- (a) the changes to the Authority's Statement of Accounts for 2021/22 be approved; and
- (b) the changes to the Pension Fund Statement of Accounts for 2021/22 be approved.

\* 81

**External Audit Plan for Devon County Council 2022/23**

The Committee received the Report of Grant Thornton of the External Audit Plan for Devon County Council 2022/23, which provided an overview of the planned scope and timing of the statutory audit of the Council.

Grant Thornton had determined materiality for the final accounts audit to be £20.9 million, which equated to 1.4% of the gross expenditure reported in the draft financial statements. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' had been set at £950,000.

Areas of significant weaknesses were identified under the risk assessment of the Council's Value for Money arrangements, namely:

- The Council's responses to Ofsted's inspection of Children's Social Care Services;
- Financial pressures within Special Educational Needs and Disabilities (SEND); and
- Financial pressures within the Council.

\* **82      External Audit Plan for Devon Pension Fund 2022/23**

The Committee received the Report of Grant Thornton of the External Audit Plan for Devon Pension Fund 2022/23, which provided an overview of the planned scope and timing of the statutory audit of the Devon Pension Fund.

Areas identified as significant risks included: Revenue and expenditure recognition (rebutted); Management override of controls; and Valuation of Level 3 investments.

Grant Thornton had determined materiality to be £66.4 million for the Pension, which equated to 1.25% of the fund's prior year net assets as at 31 March 2023. The threshold below which uncorrected omissions or misstatements were considered 'clearly trivial' had been set at £3.3 million.

The final audit would take place in July to September 2023 with a proposed fee estimate of £74,569. Highlighted specifically was that the National Audit Office had confirmed that fees relating to IAS 19 assurances would now form part of audit fees, a change from previous years.

\* **83      Devon County Council Internal Control Environment**

The Committee received the Report of the Director of Finance and Public Value (DF/23/88), which set out the responses from management to questions from the external auditors.

As part of the auditors' risk assessment procedures, they were required to obtain an understanding of management processes and the Council's oversight of the areas listed in the Report.

The Committee endorsed the Report.

\* **84      Statement of Accounts and Annual Governance Statement 2022/23**

The Committee considered the Report of the Director of Finance and Public Value (DF/23/87) on the Statement of Accounts for the County Council and Devon Pension Fund 2022/23 and Annual Governance Statement 2022/23. The Report highlighted the key messages for the Authority's Accounts and the Pension Fund Accounts.

Key messages from the Report included:

- the Authority's reserves (including general fund balance) and carry forwards had reduced by £61.3 million;
- the Special Educational Needs and Disabilities (SEND) deficit had increased by £38.9 million in 2022/23 to £125.4 million at 31 March 2023; and
- that the Authority now had a positive Balance Sheet at 31 March 2023 of £840 million as a result of a significant reduction in the pension liability as assessed by the actuary.

Questions and discussion points with Members and Officers included:

- The funding level of the Pension Fund as of March 2022 of 98%, an improvement on the 91% funding level at the previous triennial valuation in March 2019.
- The SEND Safety Valve discussions continued with the Department for Education and it was hoped an agreement could be reached. This was a national issue with some areas affected more significantly than others, including Devon. There was an expectation that the Authority would have to contribute to this deficit.

The external auditors stated they were hopeful that the Statements of Accounts for 2020/21 and 2021/22 would be signed off by the end of the week or early next week.

It was **MOVED** by Councillor Biederman, **SECONDED** by Councillor Whitton and

### **RESOLVED**

- (a) that the Annual Governance Statement for 2022/23 be approved;
- (b) that the Authority's Statement of Accounts for 2022/23 be approved; and
- (c) that the Pension Fund Statement of Accounts for 2022/23 be approved.

## **\* 85      Internal Audit Update**

The Committee received the Report of the Director of Finance and Public Value (DF/23/90), which provided an update on the opinion of the Council's Internal Audit Service (Devon Audit Partnership) and described the progress

against the internal audit plans for 2023/24, approved by the Committee in February 2023.

Overall, based on work performed during 2023/24 to date and from the previous year's audit, the Head of Internal Audit's opinion was of Reasonable Assurance on the adequacy and effectiveness of the internal control framework within the County Council.

Points particularly highlighted included:

- Since writing the report, it was highlighted that a number of audits, although not finalised, had come through as limited assurance, and these would be reported on at the next Committee meeting.
- Changes to the Audit Plan since it was approved in February 2023, were highlighted in yellow as revised priorities under the Adaptive Plan section.
- To note that the limited assurance given to the audit of Children's Services' use of iTrent was in draft awaiting management responses.

Questions and discussion points with Members included:

- That risk areas coming through as 'limited assurance' would be reported on at the next Committee meeting, following further work with the relevant Services.
- Assurance that the Barclays spend by Human Resources on recruitment advertising and staff recruitment costs was deemed compliant with the credit card acceptable use guidance.
- Barclaycard spend for an Amazon Prime subscription, where one subscription remained, was not in line with guidance.
- Audit's annual plan was adaptive and would react to any new risks identified during the year or to new/changes in legislation.
- The audit of Children's Homes, identified in the plan as a revised priority, had yet to be scoped and Officers undertook to provide the Committee with further detail on why it was included in the plan.
- To date there had been positive engagement from clients across the Council. Where DAP had been alerted to potential areas of control weakness had naturally resulted in audit work being of limited assurance. Further work would take place and followed-up to provide further assurances of improved controls.

### **Risk Management Update**

The Committee considered the report of the Director of Finance and Public Value (DF/23/91) providing an update on Risk Management 2023/24.

The Report set out the risk position of the Council, updates on changes to risk management arrangements during 2023/24 to date and confirmed the role of the Committee as per the Council's Risk Management Policy. It further

explored and summarised the existing risk position via links to visual reporting of risks using the Power BI platform.

Questions and discussions points with Members and Officers included:

- Officers would revert to Members as to the financial liability risk to the Council as guarantor in relation to the Exeter Science Park.
- Officers would revert to Members with further data on the placements to support children in care in Devon, which had grown from £3,100 to £4,800 per week.
- The number of risks identified as very high were scored after mitigation controls had been implemented and had therefore lowered the overarching risk.
- The Chair would welcome Scrutiny examining the risk data.

\* **87      Counter Fraud Update**

The Committee received the Report of the Director of Finance and Public Value (DF/23/92) on the Counter Fraud Update at September 2023, which set out the work undertaken and ongoing in order to mitigate the challenges posed by fraudulent activity for the Council.

Of highlight was a new area of work where the Counter Fraud Team would be looking to support the Traffic Management Team in the enforcement process around Blue Badge misuse, where a plan of action had been drafted.

Discussion ensued around the work that Audit had carried out in the last financial year on Direct Payments in both Adult and Children's Services, which had led to follow-up work this year. An update on this would be provided to a future Committee meeting.

\* **88      Exclusion of the Press and Public**

**RESOLVED** that the press and public be excluded from the meeting for the following items of business under Section 100(A)(4) of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Schedule 12A of the Act, namely information relating to, and which was likely to reveal the identity of, tenants and information relating to the financial or business affairs of tenants and the County Council and, in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

\* **89      Digital and Transformational Services**

Firstly, the Committee received the Report of the Director of Finance and Public Value (DF/23/93) and accompanying Internal Audit Report on Digital

and Transformation Services – Vulnerability/Patch Management, which set out the audit work performed and the associated issues raised.

Secondly, the Committee received the Report of the Director of Finance and Public Value (DF/23/94) and accompanying Internal Audit Report on Digital and Transformation Services – Shadow IT, which set out the audit work performed and the associated issues raised.

**NOTES:**

1. *Minutes should always be read in association with any Reports for a complete record.*
2. *If the meeting has been webcast, it will be available to view on the [webcasting site](#) for up to 12 months from the date of the meeting*

\* **DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 2.15 pm and finished at 3.52 pm